

THE KING'S UNIVERSITY COLLEGE
Consolidated Financial Statements
Year Ended March 31, 2015

THE KING'S UNIVERSITY COLLEGE
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Year Ended March 31, 2015

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June 12, 2015
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Members of The King's University College

We have audited the accompanying consolidated financial statements of The King's University College, which comprise the consolidated statement of financial position as at March 31, 2015 and the consolidated statements of operations, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The King's University College as at March 31, 2015 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Kingston Ross Pasnak LLP
Chartered Accountants

THE KING'S UNIVERSITY COLLEGE
Consolidated Statement of Financial Position
March 31, 2015

	2015	2014
ASSETS		
CURRENT		
Cash	\$ 1,066,145	\$ 1,363,108
Accounts receivable (Note 3)	176,723	209,461
Endowment receivable	-	10,000
Bookstore inventory	175,768	203,796
Prepaid expenses and deposits	301,491	365,849
Short term investments (Note 4)	569,687	273,069
Goods and Services Tax receivable	7,703	18,966
	2,297,517	2,444,249
INVESTMENTS (Note 4)	5,700,559	4,812,056
PROPERTY AND EQUIPMENT (Note 5)	21,012,565	21,133,797
	\$ 29,010,641	\$ 28,390,102
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 979,445	\$ 1,363,362
Government remittances payable (Note 6)	230,922	205,763
Deferred revenue	1,253,062	1,275,417
Deferred contributions (Note 7)	3,630,104	2,490,210
Mortgage payable (Note 8)	11,315,686	11,557,865
Debenture payable (Note 9)	2,683,214	2,797,500
Current portion of long term debt (Note 10)	892,014	1,455,279
	20,984,447	21,145,396
LONG TERM DEBT (Note 10)	2,164,444	1,529,872
DEFERRED CAPITAL CONTRIBUTIONS (Note 11)	3,348,474	3,434,846
	26,497,365	26,110,114
NET ASSETS		
Investment in property and equipment	927,935	687,639
Endowments (Note 12)	2,486,673	2,144,485
Internally restricted (Note 13)	282,459	282,459
Accumulated operating deficit	(1,183,791)	(834,595)
	2,513,276	2,279,988
	\$ 29,010,641	\$ 28,390,102

ON BEHALF OF THE BOARD

_____ Director

_____ Director

THE KING'S UNIVERSITY COLLEGE
Consolidated Statement of Changes in Net Assets
Year Ended March 31, 2015

	Investment in Property and Equipment	Endowments	Internally Restricted	Accumulated Operating Deficit	2015	2014
NET ASSETS - BEGINNING OF YEAR	\$ 687,639	\$ 2,144,485	\$ 282,459	\$ (834,595)	\$ 2,279,988	\$ 2,054,182
(Deficiency) excess of revenue over expenses	-	-	-	(108,900)	(108,900)	29,057
Endowment contributions	-	342,188	-	-	342,188	196,749
Transfer for:						
Acquisition of internally funded property and equipment	1,251,034	-	-	(1,251,034)	-	-
Amortization of internally funded property and equipment	(1,285,895)	-	-	1,285,895	-	-
Change in mortgage, debenture and long term debt payable	275,157	-	-	(275,157)	-	-
NET ASSETS - END OF YEAR	\$ 927,935	\$ 2,486,673	\$ 282,459	\$ (1,183,791)	\$ 2,513,276	\$ 2,279,988

THE KING'S UNIVERSITY COLLEGE
Consolidated Statement of Operations
Year Ended March 31, 2015

	Budget <i>(Note 16)</i>	2015	2014
REVENUE			
Tuition fees	\$ 6,941,473	\$ 6,936,814	\$ 6,435,001
Government grants	4,566,937	4,610,157	4,626,471
Donations	2,997,500	3,321,326	2,437,086
Residence and other sales	2,422,400	2,402,039	2,236,074
Research grants	191,414	391,759	303,128
Investment income <i>(Note 15)</i>	119,700	130,629	158,795
Other income	69,500	108,347	101,306
	17,308,924	17,901,071	16,297,861
EXPENSES			
Salaries and benefits	10,769,114	10,904,279	9,886,163
Operating supplies and services	1,660,195	1,917,397	1,565,497
Amortization	1,612,507	1,656,320	1,569,639
Cost of goods sold	881,000	960,642	844,597
Travel, hospitality and conferences	461,923	551,588	526,906
Maintenance and equipment rent	360,020	517,119	395,622
Scholarships and awards	472,500	467,197	423,484
Utilities	457,165	451,514	482,872
Interest on mortgage payable	257,179	228,882	234,510
Insurance and taxes	103,700	112,602	102,994
Interest on debenture payable	126,224	112,336	79,891
Interest on long term debt	101,597	90,416	95,425
Professional fees	45,800	47,229	54,381
(Gain) loss on disposal of property and equipment	-	(7,550)	6,823
	17,308,924	18,009,971	16,268,804
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	\$ -	\$ (108,900)	\$ 29,057

THE KING'S UNIVERSITY COLLEGE
Consolidated Statement of Cash Flow
Year Ended March 31, 2015

	2015	2014
OPERATING ACTIVITIES		
Cash received from students for tuition and fees	\$ 6,949,119	\$ 6,468,276
Cash received from government	5,068,394	4,729,462
Cash received from donors	3,806,313	3,480,561
Cash received from sale of goods and services	2,436,173	2,335,541
Cash received from other sources	91,732	84,654
Cash paid to employees for salaries and benefits	(10,808,717)	(9,885,256)
Cash paid to suppliers for materials and services	(5,377,740)	(3,959,344)
Cash paid to creditors for interest	(202,755)	(175,317)
Cash flow from operating activities	1,962,519	3,078,577
INVESTING ACTIVITIES		
Cash received from donors restricted for property and equipment	182,434	428,074
Cash received from income on investments	144,067	88,586
Cash received on disposal of property and equipment	8,500	1,100
Cash applied to purchase of property and equipment	(1,536,037)	(2,393,860)
Cash invested in investments	(811,599)	(1,768,905)
Cash flow used by investing activities	(2,012,635)	(3,645,005)
FINANCING ACTIVITIES		
Cash received from long term debt proceeds	289,386	396,077
Cash received from endowments	278,458	116,718
Cash paid for long term debt repayments	(793,425)	(283,000)
Cash flow (used by) from financing activities	(225,581)	229,795
DECREASE IN CASH FLOW	(275,697)	(336,633)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,427,967	1,764,600
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,152,270	\$ 1,427,967
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Cash	\$ 1,066,145	\$ 1,363,108
Cash and cash equivalents included in short term investments	86,125	64,859
	\$ 1,152,270	\$ 1,427,967

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2015

1. AUTHORITY AND PURPOSE

The King's University College (the "University College") operates under the authority of The King's College Act, Statutes of Alberta 1979, as amended. As a registered charity the University College is exempt from the payment of income tax under Section 149(1) of the Income Tax Act (Canada). Its mission is to provide students with a university education from a Biblical perspective and it strives to be an academic community which integrates the Christian faith with leading teaching, learning, research and college life, in an environment characterized by academic excellence and a personal approach to students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Significant accounting policies observed in the preparation of the consolidated financial statements are summarized below.

Basis of Presentation

The consolidated financial statements include the accounts of The King's University College Foundation (the "Foundation"), which operates under the Companies Act of Alberta. The Foundation solicits and receives gifts and donations and provides grants and property to the University College to support and promote the educational and research activities of the University College. The Foundation is a registered charitable organization for purposes of the Income Tax Act (Canada) and, as such, is not liable for payment of income taxes.

Accordingly, the accounts of the two organizations have been consolidated to reflect the financial position and results of operations as though they were a single economic entity. Inter-entity balances and transactions have been eliminated on consolidation.

Cash and Cash Equivalents

Cash consists of cash and cash equivalents. Cash equivalents are investments in money market funds and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

Investments

The University College's investments are recorded at fair value and consist of money market, fixed income, and equity based instruments. The investment portfolio is managed by a third party investment manager and is subject to an investment policy set by the Board of Governors. The main objective of the investment policy is the growth and preservation of capital. The fixed income investments which consist of federal, provincial and corporate bonds are capable of prompt liquidation. The equity based investments are widely held and diversified and are traded on a regular basis on the recommendation of the investment manager and approval of the University College.

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THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and Equipment

Purchased property and equipment are recorded at cost less accumulated amortization. Contributed property and equipment are recorded at fair value at the date of contribution.

Property and equipment are amortized on a straight-line basis over the assets' estimated useful lives as follows:

	<u>Years</u>
Buildings and site improvements	10 - 40
Furniture and equipment	5 - 20
Library materials	5 - 10

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Endowments

Endowments represent externally restricted contributions of which the principal is to be held intact. Investment earnings on endowments are included in deferred contributions and must be used in accordance with the conditions imposed by the donor's terms of reference. Investment earnings to be added to endowment principal are recorded as direct increases in net assets.

Inventory

Inventory of merchandise held for resale is recorded at the lower of purchased cost and net realizable value, with cost being determined on an average cost basis.

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THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Revenue Recognition

The University College follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable. Contributions restricted for purposes other than endowments or the acquisition of property and equipment are deferred and recognized as revenue in the year in which the related expenses are incurred. Endowment contributions are recognized as direct increases in net assets in the period in which they are received or receivable. Contributions restricted for the acquisition of property and equipment having limited lives are recorded as deferred capital contributions in the period in which they are received and are amortized to revenue over the useful lives of the related assets. Contributions restricted for the acquisition of property and equipment that will not be amortized are recognized as direct increases to net assets in the period in which they are expended.

Donated materials and services are recognized as revenue when they are received. Donated materials and services that would otherwise have been purchased are recorded at fair value when fair value can be reasonably determined. Pledges are recognized when collection is reasonably assured.

Investment income includes dividend and interest income, and realized and unrealized investment gains and losses. Unrealized gains and losses on investments are either included in investment income and recognized as revenue in the statement of operations, deferred or reported directly in net assets, depending on the nature of any external restrictions imposed on the investment income. Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Investment earnings on internally designated funds are recognized as revenue when received or receivable. Other unrestricted investment income is recognized as revenue when earned.

Tuition and residence fees are recognized as revenue when the instruction and services are delivered. Government grants are recognized as revenue in the year to which they relate. Revenue received for other services and products is recognized when the services and products are provided. Deferred revenue consists of tuition, residence fees, government grants and facility rental income received in advance.

Employee Future Benefits

The University College participates with other employers in the Canadian Christian School Pension Plan and Trust Fund (the "Plan"). The Plan is a contributory, defined benefit pension plan that provides pensions for the University College's eligible employees based on their years of service and earnings.

Pension cost is disclosed as a part of salaries and benefits and is comprised of the amount of employer contributions required for the University College's employees during the year, based on rates that are expected to provide benefits payable under the Plan. The University College's portion of the pension plan's deficit or surplus is not recorded by the University College as this portion is not readily available.

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THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement Uncertainty

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates pertain to the physical and economic lives of property and equipment and the collectibility of accounts receivable.

Financial Instruments

Financial instruments are initially measured at fair value, and, unless otherwise noted, the University College subsequently measures its financial instruments at amortized cost.

3. ACCOUNTS RECEIVABLE

	2015	2014
Allowance for doubtful accounts	\$ 89,421	\$ 87,673
Bad debt (recovery) expense, included in Tuition fees	\$ (1,748)	\$ 7,140

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2015

4. INVESTMENTS

	2015	2014
Short term investments		
Corporate notes	\$ 483,562	\$ 208,210
Cash and cash equivalents	86,125	64,859
	\$ 569,687	\$ 273,069
Long term investments		
Common shares	2,612,001	2,555,145
Corporate notes	1,753,520	1,608,641
Pooled equity funds - U.S.	767,822	123,015
Deposit agreement	272,208	257,763
Pooled equity funds - Overseas	186,337	167,088
Cash surrender value of life insurance policies	58,472	54,955
Pooled equity funds - Emerging Markets	50,199	45,449
	5,700,559	4,812,056
	\$ 6,270,246	\$ 5,085,125

Investments include government bonds and corporate notes that mature at various dates to December 9, 2019. The remaining investments include publicly traded equities and are held by investment managers in equity fund portfolios. The University College's fixed income investments bear interest at rates of 1.60% to 2.75%. The rate of return on the remainder of the portfolio is dependent on the performance of the funds.

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2015

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Buildings and site improvements	\$ 28,076,230	\$ 11,472,016	\$ 16,604,214	\$ 17,050,876
Furniture and equipment	8,503,045	6,595,011	1,908,034	1,572,199
Land	1,852,592	-	1,852,592	1,852,592
Library materials	3,458,835	2,811,110	647,725	658,130
	\$ 41,890,702	\$ 20,878,137	\$ 21,012,565	\$ 21,133,797

6. GOVERNMENT REMITTANCES PAYABLE

Government remittances payable consist entirely of payroll taxes.

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2015

7. DEFERRED CONTRIBUTIONS

Deferred contributions represent restricted investment income and unspent resources externally restricted for research grants, scholarships and designated donations. Changes in the deferred contributions balance are as follows:

	2015	2014
Beginning balance, related to operating funding	\$ 1,960,304	\$ 737,870
Add:		
Restricted donations	1,425,804	(4,500)
Restricted government grants	215,766	146,294
Restricted research grants	236,785	1,849,430
	1,878,355	1,991,224
Less:		
Donations recognized as revenue	(644,419)	(218,152)
Research grants recognized as revenue	(188,180)	(127,432)
Amounts transferred to deferred capital contributions	(116,707)	(418,706)
Government grants recognized as revenue	(14,267)	(4,500)
	(963,573)	(768,790)
Ending balance, related to operating fund	\$ 2,875,086	\$ 1,960,304
Beginning balance, related to investment income	\$ 529,906	\$ 323,759
Add:		
Changes in unrealized gains	242,771	336,357
Dividend and interest income earned	172,885	105,571
	415,656	441,928
Less:		
Amount recognized as investment income in the period	(130,629)	(158,795)
Amount added directly to endowments	(59,915)	(76,986)
	(190,544)	(235,781)
Ending balance, related to investment income	\$ 755,018	\$ 529,906
	\$ 3,630,104	\$ 2,490,210

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2015

8. MORTGAGE PAYABLE

The mortgage payable to The King's Group Registered Retirement Savings Plan (King's RRSP) is secured by a second mortgage against the land and buildings. The King's RRSP is trusted by Concentra Trust. Funds may be advanced to a maximum of \$15 million bearing interest at a variable rate set quarterly at least equivalent to Bank of Montreal rate for one year on non-redeemable guaranteed investment certificates under \$100,000. For the quarter ended March 31, 2015, the rate was 2.00% (2014 - 2.00%). Interest is compounded quarterly and reinvested in the mortgage until the full advance has been paid.

Due to the legal right of planholders to demand repayment, the mortgage payable has been classified as a current liability.

Scheduled minimum repayments in each of the next five years are approximately as follows:

	2015
2016	\$ 304,300
2017	299,000
2018	304,100
2019	351,300
2020	359,100
Subsequent years	9,697,886
	\$ 11,315,686

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2015

9. DEBENTURE PAYABLE

Debenture payable to ATB Financial is secured by a General Security Agreement covering all assets of the University College and a debenture agreement in the amount of \$10,000,000 providing a floating charge over all undertakings of the University College and a fixed charge on specified lands. Interest at bank prime plus 1.00% is payable monthly.

There are two loan facilities outstanding: Facility 1 for \$1,997,500 and Facility 2 for \$685,714.

Facility 1 requires annual principal repayments of \$235,000. Prepayments and payouts in full are permitted at anytime without penalty or bonus. During the year, no principal repayment was made due to the University College having prepaid required principal repayments during previous years. The next required principal repayment is due in the 2017 fiscal year.

Facility 2 requires annual principal repayments of \$114,285 over the next 6 years.

The debenture is due on demand. At March 31, 2015, the effective interest rate was 3.85%. The University College is required to maintain a debt service coverage ratio of 1.5:1. At March 31, 2015, the University College is in compliance with these requirements.

Minimum repayments are as follows:

2016	\$	114,285
2017		349,285
2018		349,285
2019		349,285
2020		349,285
Thereafter		<u>1,171,789</u>
	\$	<u>2,683,214</u>

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2015

10. LONG TERM DEBT

	2015	2014
Various notes payable, unsecured, at variable interest rates from 0% to 3.60%, are repayable at various maturity dates through to February 25, 2020.	\$ 3,056,458	\$ 2,985,151
Amounts payable within one year	(892,014)	(1,455,279)
	\$ 2,164,444	\$ 1,529,872

Principal repayment terms are approximately as follows:

2016	\$ 892,014
2017	861,116
2018	301,243
2019	362,085
2020	640,000
	<u>\$ 3,056,458</u>

11. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the net book value of contributed property and equipment, and property and equipment purchased with restricted contributions. The changes in the deferred capital contributions balance are as follows:

	2015	2014
Balance, beginning of period	\$ 3,434,846	\$ 3,377,527
Capital contributions from donors	268,967	410,411
Capital contributions from government	15,086	8,294
Amounts amortized to revenue	(370,425)	(361,386)
Balance, end of period	\$ 3,348,474	\$ 3,434,846

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2015

12. ENDOWMENTS

	2015	2014
Balance, beginning of period	\$ 2,144,485	\$ 1,947,736
Contributions restricted by donors	342,188	196,749
Balance, end of period	\$ 2,486,673	\$ 2,144,485

Balance consists of the following:

Designated for scholarships, bursaries or awards in:		
Various disciplines	\$ 356,766	\$ 118,686
Music	332,535	318,809
Christian ministry or service	256,800	234,552
Arts	240,060	230,431
Education	237,066	221,342
Commerce	177,050	168,840
Natural Sciences	175,280	143,848
Political Science, History, Economics	163,160	157,173
Social Sciences	120,800	117,764
Environmental Studies	118,099	115,043
Mephibosheth Scholarship	107,554	107,554
Alumni Student Assistance Program	96,157	96,157
Other	53,856	62,796
Micah Centre	51,490	51,490
	\$ 2,486,673	\$ 2,144,485

13. INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets represent funds designated by the Board of Governors. The principal is to be held intact and investment earnings on the principal are to be used for scholarships, bursaries and awards.

14. BANK INDEBTEDNESS

The line of credit with ATB Financial bears interest at bank prime plus 0.50%, payable monthly, has an authorized limit of \$2,000,000 and is secured by the same terms as the debenture payable (Note 9). At March 31, 2015, the effective interest rate was 3.35% and the facility was not drawn upon.

15. INVESTMENT INCOME

	2015	2014
Dividend and interest income earned in the period	\$ 172,885	\$ 105,571
Changes in unrealized gains	242,771	336,357
Amounts added directly to endowments	(59,915)	(76,985)
Amounts deferred	(225,112)	(206,148)
	\$ 130,629	\$ 158,795

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2015

16. BUDGET

The budget was approved by the Board of Governors on March 8, 2014. The budgeted amounts have been provided for information purposes only and are unaudited.

17. PENSION PLAN

The pension expense recorded in these financial statements represents the University College's annual contributions payable of \$647,840 for the year ended March 31, 2015 (2014 - \$611,169).

An actuarial valuation of the Canadian Christian School Pension Plan and Trust Fund (the Plan) was to be prepared on a tri-annual basis. However, during the 2011 fiscal year, the Plan dropped below the 90% funded level; as a result, actuarial valuations will be performed on a yearly basis if the Plan is below the 85% funded level. The most recent valuation was done on August 31, 2014. In 2014, the Plan reported a surplus of approximately \$1 million in a fund with net assets available for benefits of approximately \$280 million and pension obligations of \$278 million.

The calculation of the estimated present value of vested benefits under the Plan at August 31, 2014 and 2013 was made by consulting enrolled actuaries Mercer Human Resource Consulting.

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2015

18. FINANCIAL INSTRUMENTS

The University College is exposed to various risks through its financial instruments. The following analysis provides information about the University College's risk exposure and concentration as of March 31, 2015. Unless otherwise noted, the University College's risk exposure has not changed from the prior year.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The University College is exposed to credit risk from students and customers, and the maximum exposure to this risk is the carrying value of accounts receivable on the balance sheet. The University College has a significant number of students and customers which minimizes concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that the University College will encounter difficulty in meeting its financial obligations as they become due. Cash flow from operations provides a substantial portion of the University College's cash requirements, and additional requirements are met with the use of the available credit facilities.

Currency risk

Currency risk is the risk to the University College's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The University College is exposed to foreign currency exchange risk on cash, accounts receivable, and accounts payable held in U.S. dollars. These amounts are of a short duration, which minimizes the University College's exposure to foreign currency fluctuations.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in market interest rates. The University College is exposed to interest rate risk primarily through its floating interest rate bank indebtedness, credit facilities and locked in guaranteed investment certificates.

19. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

THE KING'S UNIVERSITY COLLEGE
Consolidated Statement of Operations by Function
Year Ended March 31, 2015

	Budget (Note 16)	2015	2014
REVENUE			
Tuition fees	\$ 6,941,473	\$ 6,936,814	\$ 6,435,001
Government grants	4,566,937	4,610,157	4,626,471
Donations	2,997,500	3,321,326	2,437,086
Residence and other sales	2,422,400	2,402,039	2,236,074
Research grants	191,414	391,759	303,128
Investment income (Note 15)	119,700	130,629	158,795
Other income	69,500	108,347	101,306
	17,308,924	17,901,071	16,297,861
EXPENSES			
Instruction	6,074,960	6,343,894	5,660,315
Student services	2,729,565	2,805,911	2,528,560
Ancillary services	2,103,470	2,319,352	1,941,547
Physical plant	1,448,603	1,502,397	1,411,961
Institutional advancement	1,278,046	1,341,205	1,271,433
Academic support and library	992,418	1,037,121	865,875
Institutional support	963,388	981,534	1,017,131
Computing services	957,908	861,652	862,733
Interest on long term and other liabilities	485,000	431,589	409,260
Research	275,566	385,316	299,989
	17,308,924	18,009,971	16,268,804
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	\$ -	\$ (108,900)	\$ 29,057